

Appendix A

# **BUSINESS PLAN FOR A SMALL SERVICE BUSINESS**

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BUSINESS PLAN  
CENTRAL PERSONNEL AGENCY

By: Eleanor Buss

November 3, 19\_\_

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## A. Introduction and Request for Funds

This is a request for a loan of \$6,000 to establish the Central Personnel Agency as my sole proprietorship. Central Personnel will specialize in providing South City employers with secretarial, clerical and computer (word processing) skilled personnel. I am presently a junior partner in Mid-Mountain Personnel Services, a similar type of personnel agency with headquarters in North City. I manage the branch office in South City. Mid-Mountain provides me with an office in a good, downtown location and a moderate salary. I like what I do and feel that helping people find work is a creative and satisfying activity.

The \$6,000 loan, which I am hereby requesting, will enable me to open my own employment agency, make my own business decisions, and substantially increase my income. To do this, I will be competing with my former employer, Ms. Jackie McCabe (dba Mid-Mountain Personnel Agency), to some extent, even though her headquarters is, and will remain, in North City. To minimize any hostility that could hurt business, I have kept Ms. McCabe informed of my plans. She supports them, has agreed to allow me to take over the lease on the South City Office, and is enthusiastic about working out a referral plan under which we will work cooperatively when we are dealing with employers located in each other's prime geographical area.

My best estimate of sales revenue and cash flow (both of which are spelled out in detail in this plan) shows that even using conservative estimates, I will earn a significant profit once my new business has been underway six months. My background experience in the personnel agency field, and past record of success, support my view that I will succeed. I am eager to begin.

## B. My Experience and Background

As my resume sets out in detail, since 19\_\_ I have worked for three different employment agencies in this area, successfully finding jobs for many people. This has given me the opportunity to learn the personnel agency business thoroughly, including how to find employers needing workers, and how to locate and screen desirable employees.

During the years I was acquiring this valuable experience, I always planned to open my own business. Last year, in the hope of achieving this goal, I formed a partnership with Ms. Jackie McCabe, who has operated Mid-Mountain Personnel Service in North City for several years. As a junior partner, my responsibility was to open a South City branch office, which I did. My goals were to increase my income and to have more control over business decisions than I had as an employee. While the personal relationship between Ms. McCabe and myself is cordial, the partnership has not worked to our mutual satisfaction. This has been largely because Jackie's main office in North City has grown so fast it has consumed all of her energy. This has left me operating the South City branch largely by myself, at the same time that a substantial portion of the profits I have generated go to Jackie under the terms of our partnership agreement.

As part of terminating our partnership agreement, Jackie and I have agreed that I will retain the lease on the present Mid-Mountain office in South City. In addition, we have signed a written agreement (available upon request) which provides that we will share all fees and commissions when one of us places an employee with an employer in the other's primary market area. Having made this agreement, I need accomplish only two more tasks before I can open my business. The first is to take and pass the state personnel agency license examination. I expect to do this in January with little difficulty, as I have received top grades in the preparatory course given by North State Community College. My other task involves the purpose of this proposal. I need to borrow enough money to begin business.

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C. Resume: Eleanor 'Ellie' Buss

RESUME OF ELEANOR 'ELLIE' BUSS

Address: 564 Sampson Avenue, South City, OR 96785; Telephone 567-8976

Business Address: c/o Mid -Mountain Personnel Services, 453 Second Street, Suite 300, South City, ORE; Telephone 765-8970

Marital Status: Single

*Professional Experience:*

May 1983 to Date: Junior Partner; Mid-Mountain Personnel Services. As account executive, I locate employers needing assistance, meet with employers to ascertain their personnel requirements, screen, counsel and evaluate applicants and refer qualified applicants to employers. Also, I assist applicants in preparing resumes and in preparing for interviews. I average ten placements per month, of which one-half are positions where the applicant pays the fees; my gross average billings are \$3,500 per month.

1982 to 1983: Account Executive; Woodshaft Personnel Agency. Responsible for all the same functions as listed above. Average gross billing was \$3,500 per month, which represented an average of ten placements per month.

1982: Trainee Account Executive; Yolo Personnel Agency. Screened and evaluated applicants; solicited job openings with appropriate clients; completed placements; average billings \$2,500 per month.

1981: Purchasing Agent; Parsifone Electric. Ordered material and inventory to coincide with contract process; estimated commercial and residential jobs; negotiated all materials purchased to assure cost control and maintain profit margin on bids.

1980 to 1981: Scheduler; Graphicscan. Production scheduling for printing and graphic studio; estimated jobs for clients.

1975 to 1980: Production Scheduler; Acme Pre-Built Components Co. Scheduler/coordinator for large manufacturer of structural components; coordinated finish room schedule with customer priority and transportation availability; interface with other departments and sales staff to ensure customer satisfaction.

#### D. Business Description of Central Personnel Agency

Central Personnel will specialize in secretarial, clerical, word processing, and computer operator jobs, a field in which there is constant turnover. I will also provide services for technical and mid-management jobs, but expect it to take several years before these latter areas provide a substantial portion of my income.

My particular specialty will be women re-entering the work force after completing family-raising responsibilities. In this connection, I have developed a successful liaison with the South City Women's Resource Center. This group, which is partially funded by grants from local businesses, provides training, seminars and counseling for re-entry women and will provide me with a source of many highly-motivated potential employees.

Because of my two-year history in the personnel business in South City, I have placed many employees and expect that the already developing trend toward much of my business coming from repeats and referrals will continue. Also, in cooperation with the Women's Resource Center, I shall continue to provide detailed counseling to applicants (especially those who have been out of the labor market for several years or more) on how to compose resumes and take interviews, as well as on which jobs to seek. In addition, I plan to work closely with employers to assist them in determining what type of employee they need, how much they should pay, etc. I want employers to feel that my pre-screening is honest and thorough and that by dealing with me they can save time by not having to interview clearly unsuitable candidates.

#### E. Central Personnel Agency Marketing Plan

##### 1. How I Will Find Qualified Employees

The secret to success in the personnel business in South City is finding high quality employee applicants. Because of the relatively rapid turnover among clerical employees, and because the South City economy is expanding, it is relatively easy to place highly-motivated employees with good skills once they have been identified. Because of my prior two years in this business and this area, many of my initial candidates will come from repeats and referrals from people I have placed. Others will be referred as part of my work with the Women's Resource Center.

In my experience, there are several other effective marketing techniques to develop a wider community base. Classified advertising of job openings develops many prospective employees. Also, maintaining an active presence in the Chamber of Commerce and other traditional business and civic organizations enables prospective employers to recognize me as a person of integrity and stability. In addition, as discussed above, I shall continue to expand by association with the South City Women's Resource Center, a group that counsels women re-entering the labor force. I also intend to provide free seminars of my own on "How to Find a Satisfying Job." Finally, I will

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regularly mail a brief newsletter to all major area employers listing all the job areas for which I have qualified applicants.

## **2. Competition**

South City has three active personnel agencies in addition to the branch of Mid-Mountain, which I now run and which will close as part of the opening of my new business.

a. *Bill's Personnel Services*: This is the oldest and largest in the city. Recently, Bill's has suffered from their own high employee turnover, largely because it is run by an absentee owner. Bill's traditionally advertises heavily and depends on aggressive pricing policies to compete. They provide little employee counseling and, in my opinion, do not screen potential employees with sufficient thoroughness. At Mid-Mountain, I have already demonstrated that my personal approach to the needs of both employers and employees as opposed to Bill's high volume approach is welcomed by the South City market place.

b. *Strictly Business*: This firm was recently acquired by an experienced professional counselor who heads a staff of three good counselors. Its primary emphasis is on technical management people and it handles clerical and computer operator jobs only as a sideline. Eventually, Strictly Business will be a competitor as I develop more mid-level management clients, but initially, they will not be a problem as our markets are so different.

c. *The Woodshaft Organization*: This agency has a staff of three and is directly competitive. Woodshaft spends about \$1,000 per month on advertising, but does little work with community organizations such as the South City Women's Resource Center. The owner's husband died recently and as an understandable result, the business seems to lack energy. I believe that the Woodshaft Organization will offer the most competition over the next several years. However, because of the expanded South City job market, my own proven track record at Mid-Mountain, and my commitment to hard, creative work, I feel there is plenty of room for my new enterprise to prosper.

## **3. Market Growth**

South City has a large number of the type of jobs I specialize in, with plenty of growth potential. Most of the other agencies are more interested in technical job categories. South Cities' growth as a regional financial and market center will insure commensurate growth in job openings and should encourage the trend for women to re-enter the job market. My approach to counseling both employers and employees is unique locally and I expect a continuing growth from my commitment to individual service; because this approach saves everyone time and expense in the long run.

My new downtown location (the office I will take over from Mid-Mountain) is already established, convenient, and close to the Women's Resource Center, with whom I work closely.

👉 **NOTE:** If you plan a large service business and need to borrow more money, it would be wise to back up this section with growth projection statistics. These are probably available from local banks, the Chamber of Commerce, etc.

## F. Financial Projections

### 1. Introduction

The key to the prosperity of Central Personnel Agency lies in quickly getting the business into the black and then building on that initial success.

The Profit and Loss and Cash Flow Forecasts in this section show a significant profit and positive cash flow from the beginning of operations. These results depend on my ability to generate revenue at the rate of \$4,000 per month for the first two months and \$5,000 for each month thereafter. I have no doubt about my ability to do this based on the job orders already on the books. This is because I have most of the employee applications necessary to fill these jobs on file and know how to locate the rest. And even if my revenue forecasts for the first two months are off by as much as \$1,500 per month (37.5%), I will still be able to pay business expenses, service the loan, and cover my basic living expenses.

### 2. Loan Security

My personal financial statement is included in Section G, below. I believe my personal signature is more than enough security for a loan of \$6,000, since I have substantial assets. Nevertheless, I will consider the possibility of pledging some assets as additional security if appropriate.

Incidentally, my past personal credit reports will show that several years ago I got behind on my payments on several accounts (I have never defaulted or declared bankruptcy). During the period in question, I was helping several family members who were experiencing emergencies (e.g., illness, sudden loss of work, etc.). These necessitated the diversion of the maximum amount of my financial resources to members of my family who were in greater need. All these problems have since been resolved, the money repaid me, and I am happy to say that all my accounts are current.

### 3. Profit and Loss and Cash Flow Forecasts

Financial forecasts for Central Personnel follow.



3. Central Personnel Agency Profit and Loss Forecast, Year 1

[PRODUCTION: INCLUDE FORECAST HERE]

4. Central Personnel Agency Cash Flow Forecast

[INCLUDE FORECAST HERE]

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G. Personal Financial Statement: Eleanor 'Ellie' Buss

**B A L A N C E   S H E E T**

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**ASSETS (at market value):**

Cash in banks	\$	400
Stocks		
United Inc.		450
Universal Corp.		300
Household furnishings		6,000
China collection		2,000
2 Horses		4,000
Horse trailer		1,500
Surrey and buggy		3,000
Tack		1,000
Car, Mazda RX		7,000
Residence		<u>95,000</u>
<b>Total Assets</b>	<b>\$</b>	<b><u><u>120,650</u></u></b>

**LIABILITIES:**

First on property, \$771 per month	\$	76,000
Auto loan, \$166 per month		6,000
Credit Cards: Visa \$80 per month		1,500
Macy's \$40 per month		700
Business Loan, \$50 per month		<u>3,000</u>
<b>Total Liabilities</b>		<b><u><u>87,200</u></u></b>

**NET WORTH (Total Assets - Total Liabilities)** 33,450

**TOTAL LIABILITIES & NET WORTH** \$ 120,650

**INCOME & EXPENSES**

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**ANNUAL INCOME:**

Professional fees	\$	28,000
Dividends		600
<b>Total Income</b>	<b>\$</b>	<b>28,600</b>

**ANNUAL EXPENSES:**

Loan Payments		
1st	\$	9,252
Car		2,000
Visa		960
Macy's		500
House related expenses		4,000
Property taxes		950
Insurance		300
Living expenses		10,000
<b>Total Expenses</b>	<b>\$</b>	<b>27,962</b>

**H. Business Risk Analysis**

Every business faces risks. Central Personnel Agency is not an exception. However, I believe that the risks facing my business are manageable. I see nothing that will seriously threaten the business.

Here are the major risks I anticipate and how I plan to deal with them:

**1. Partner Problems**

When faced with the prospect of my leaving and taking an income source away from her, my current partner, Jackie McCabe, the owner of Mid-Mountain Personnel Services, was initially somewhat angry. However, when we discussed the fact that she had more work on her hands in North City than she could cope with and that we could cooperate on future job placements, she

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became supportive of my starting my own business. Nevertheless, Jackie could still open a competitive agency at any time—which might threaten my new accounts. Therefore, I am volunteering to pay her a one-third share of all future job orders developed from connections I made while the partnership was active. My budget will support this concept as long as my payments to Jackie do not exceed one-third of revenues. I do not expect this to happen, but should it, Jackie had indicated she will accept a deferred payment plan. Within six months to a year, I expect the great majority of my businesses will stem from new contacts and I will no longer need to pay Jackie.

## **2. Competition**

There are several competing employment agencies in South City, as discussed in Section E, above. As I am aiming for a slightly different market than the other agencies and have a track record of success in my target area, I do not feel that the competition will hurt me. Even if the other agencies expanded their clerical placements, I think my personal rapport with my clients and the Women's Resource Center should prevent me from suffering any real problem.

## **3. Slow Times**

People are hiring now and times are good. When the economy slows down, as it inevitably will, so too will new hires, although because of the high turnover, there is always some demand for clerical help. However, I plan to put aside money when times are good to cushion against future bad times. Also, I plan to reduce the effect of slow times by keeping my overhead low.

## **4. Owner's Ability**

I have never operated an independent business before. However, I have been paid on a straight commission basis for some time and am used to the need to perform in order to be paid. I can see no insurmountable problems resulting from being on my own and have already determined the licenses, tax permits, etc. I will need to begin. I plan to use the same bookkeeper and accountant who do the books for Mid-Mountain Personnel to help with paperwork. In addition, I have a friend who is a small business consultant and I can rely on her advice should I need it.

In short, I believe that I have addressed the major risks facing my business and have demonstrated that those risks are manageable.

## **I. Capital Spending Plan**

Most items of equipment will be leased or rented, so there will be little need for capital beyond working capital and some fees and printing costs:

Printing/stationery	\$ 500
Initial advertising	1,000
License application fee	250
Employment agency license fees	250
Business license	50
Insurance deposit	50
First & last month's rent & deposit	1,030
Phone installation	200
New furniture	500
Working capital	<u>2,000</u>
TOTAL CAPITAL	<u><u>\$ 5,830</u></u>

Other capital items and most of the furniture have already been paid for. The office building provides a receptionist and copy service as part of the rent.

#### J. Personal Goals

After trying various careers, I discovered a career I am very good at and which provides me great personal satisfaction. I feel a deep sense of personal accomplishment when a client pays a fee for completing a job hire. That validates my ability. My goal in opening the Central Personnel Agency is to make some money while doing work I basically love.